

VZCZCXRO3007
PP RUEHFL RUEHKW RUEHLA RUEHROV RUEHSR
DE RUEHRA #0527 2461036
ZNY CCCCC ZZH
P 021036Z SEP 08
FM AMEMBASSY RIGA
TO RUEHC/SECSTATE WASHDC PRIORITY 5205
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE PRIORITY

C O N F I D E N T I A L RIGA 000527

SIPDIS

E.O. 12958: DECL: 08/28/2018
TAGS: [ENRG](#) [ECON](#) [PGOV](#) [LG](#)
SUBJECT: LATVIA PURSUING UNIFIED BALTIC ELECTRIC
TRANSMISSION SYSTEM

Classified By: Ambassador Charles W. Larson for reason 1.4 (b)

¶1. (C) Summary: Latvian Prime Minister Ivars Godmanis is pushing for a unified transmission system for Estonia, Latvia, and Lithuania. The head of the Latvian energy monopoly expressed hope that if successful, a unified system would put all three states in a better position to negotiate supply deals with larger neighbors. He also expressed concern about the prospects of completing a replacement for the Ignalina Nuclear Power Plant if Russia proceeds with construction of a nuclear plant in Kaliningrad, as announced. End Summary.

¶2. (C) The GOL is growing more serious in efforts to create a unified electricity transmission authority for the three Baltic States. Ambassador and PolEconOff met on August 27 with Karlis Mikelsons, CEO of Latvenergo, Latvia's state-owned power monopoly. Mikelsons said that Latvian Prime Minister Ivars Godmanis was currently engaging in discussions with his Lithuanian counterpart to push the idea of unifying the Lithuanian, Estonian, and Latvian electrical system operators offices. Latvenergo supports this effort. According to Mikelsons, the interests of each country's system operator to ensure electricity for their own geographic area at the expense of others are detrimental in the small countries of the Baltics. Making unified transmission decisions for the region could increase flexibility and improve their position in bargaining with outside energy providers.

¶3. (C) Mikelsons further stated that while unification of the Baltic electrical grid with the Central Europe grid via a Poland-Lithuania link was the highest priority, a link with Sweden would also be desirable for security purposes. He asserted that Sweden has made clear it is only interested in one link, and that Latvia, Lithuania, and Estonia would have to decide among themselves where it should connect to. While describing Lithuania as the leading candidate at the moment, Mikelsons indicated that a unified Baltic system would be the best way to get past political hurdles between the Baltics and move the Swedish link forward.

¶4. (C) Mikelsons displayed concern about the press announcement earlier that day solidifying Russian plans to build a nuclear power plant in Kaliningrad. Regarding the Kaliningrad plant as a political move by the Russians, Mikelsons was very negative about prospects for the construction of a replacement for Lithuania's Ignalina Nuclear Power Plant if the Kaliningrad plant proceeds as announced.

¶5. (C) Comment: Larger players in the market, and Russia in particular, have been able to play the tiny Baltics against each other in energy negotiations. A unified Estonia-Latvia-Lithuania transmission system would be a positive step in overcoming infighting and promoting long-term thinking on energy policy. Latvian energy policy has seemed rudderless at times, and any movement in the GOL toward more strategic thinking would be a welcome sign.
LARSON